

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NRC-05 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /133 W
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R 121250Z MAY 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2713
INFO AMEMBASSY BRUSSELS
AMEMBASSY OTTAWA

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USEEC

E.O. 11652: N/A
TAGS: ENRG, IT
SUBJECT: STATUS OF ITALIAN NUCLEAR ENERGY PROGRAM

REF: (A) ROME 4151, (B) OTTAWA 1673 NOTAL

SUMMARY: ECMIN AND EMBOFF CALLED ON AMMASSARI, DIRECTOR
GENERAL FOR ENERGY SOURCES, MINISTRY OF INDUSTRY, ON MAY 5
FOR AN UPDATE ON ENERGY DEVELOPMENTS FOLLOWING THE CIPE
(INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING)
DECISION IN FEBRUARY ON NATIONAL ENERGY PLAN (REF A).
AMMASSARI PAINTED ESSENTIALLY OPTIMISTIC PICTURE,
ASSERTING THAT MEASURES WERE BEING TAKEN TO IMPROVE
ENEL'S FINANCIAL SITUATION RATHER SIGNIFICANTLY AND
THAT SITING OF NUCLEAR PLANTS IN PIEDMONT AND SICILY
WOULD NOT PRESENT INSURMOUNTABLE DIFFICULTIES.
AMMASSARI ALSO DESCRIBED BUILD-UP OF HIS STAFF TO
HANDLE INCREASED RESPONSIBILITY HE HAS BEEN GIVEN
FOR COORDINATING ITALY'S ENERGY POLICY. END
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SUMMARY.

1. IN FIRST RESPONSE TO QUESTION ON ENERGY DEVELOP-
MENTS, AMMASSARI DESCRIBED RECENT STEPS TAKEN TO
PUT ENEL (STATE ELECTRIC AGENCY) IN A POSITION TO
ARRANGE FINANCING FOR THE LIGHT WATER REACTOR (LWR)
PROGRAM. IN REGARD TO RECAPITALIZING ENEL, HE NOTED

THAT IT WOULD RECEIVE 100 BILLION LIRE (ABOUT \$115.6 MILLION) REMAINING FROM A 1973 APPROPRIATION FOR ITS ENDOWMENT FUND. A FURTHER 500 BILLION LIRE (AROUND \$578 MILLION) HAD BEEN ALLOCATED TO ENEL FROM THE NATIONAL BUDGET BUT HAD NOT YET ACTUALLY BEEN TRANSFERRED TO ENEL. A FURTHER 300 BILLION LIRE (ABOUT \$346.8 MILLION) WAS AVAILABLE TO ENEL FROM THE CASSA DEL CONGUAGLIO PER LE TARIFFE ELETTRICHE (ELECTRIC RATE ADJUSTMENT FUND--THIS FUND IS FED BY A SURCHARGE COLLECTED BY ALL POWER COMPANIES FOLLOWING THE OIL PRICE INCREASE OF 1973; COMPANIES MAY SEEK REIMBURSEMENT FROM THE FUND TO THE EXTENT THAT THE POWER THEY SUPPLY COMES FROM OIL-FIRED THERMAL POWER PLANTS).

2. INsofar AS ENEL OPERATIONS ARE CONCERNED, AMMASSARI, NOTING THAT CIPE DECISION PROVIDED FOR AN INCREASE IN ELECTRICITY RATES, ASSERTED THAT THE DECISION TO RAISE RATES HAD BEEN TAKEN, BUT FOR OBVIOUS POLITICAL REASONS WOULD NOT BE ANNOUNCED UNTIL AFTER THE MAY 14 LOCAL ELECTIONS. AS A RESULT OF THESE MEASURES, ENEL'S DEFICIT FOR 1978, HE SAID, WAS EXPECTED TO BE NO MORE THAN 100 BILLION LIRE (IN CONTRAST TO LOSSES OF 730 BILLION LIRE IN 1976 AND ABOUT 750 BILLION LIRE IN 1977). IN RESPONSE TO OUR QUESTION, AMMASSARI BELIEVED ENEL MIGHT BE IN POSITION TO PROVIDE LONG-AWAITED FINANCIAL DATA TO EXIMBANK BY THIS SUMMER. (COMMENT: IN CONVERSATION LIMITED OFFICIAL USE

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WITH ECOMIN AT END OF APRIL, ENEL PRESIDENT ANGELINI SIMILARLY REPORTED THAT MEASURES WERE BEING TAKEN TO INCREASE ENEL'S CAPITALIZATION, EXPRESSED CONFIDENCE THAT RATE INCREASE WOULD BE ANNOUNCED IN COMING WEEKS AND STATED THAT ENEL WOULD THEREAFTER BE IN POSITION TO SEND EXIMBANK FINANCIAL DATA NECESSARY TO CONSIDER NUCLEAR REACTOR FINANCING REQUESTS.)

3. TURNING TO ISSUE OF LWR PLANT SITING PROBLEM, AMMASSARI REPORTED FAVORABLE DEVELOPMENTS. AMMASSARI PLACED IMPORTANCE ON FACT THAT CONSTRUCTION HAD ACTUALLY BEGUN AT MONTALIO DI CASTRO (LAZIO REGION) FOR THE FIRST TWO 1,000 MEGAWATT UNITS. NEXT STEP, HE SAID, WAS TO SELECT SITE IN PIEDMONT FOR THE THIRD AND FOURTH 1,000 MEGAWATT UNITS, IN ACCORDANCE WITH SEVERAL-STAGE PROCEDURES ESTABLISHED BY LAW. CNEN (NUCLEAR ENERGY COMMITTEE) WAS NOW MAKING GEOLOGIC AND GEOPHYSICAL STUDIES OF THREE POSSIBLE SITES AND SHORTLY ENEL WOULD BEGIN ITS EVALUATIONS. IT HAS SIX MONTHS TO COMPLETE THEM AND PRESENT ITS FINDINGS TO MINISTRY OF INDUSTRY. LATTER THEN HAS SEVEN MONTHS TO CONSIDER MATTER. THUS, FINAL SITE SELECTION FOR THE THIRD AND

FOURTH UNITS, AMMASSARI CONCLUDED, WAS ABOUT ONE YEAR AWAY. (COMMENT: THE THIRD AND FOURTH UNITS WERE ORIGINALLY SLATED FOR MOLISE, BUT LOCAL OPPOSITION HAS RESULTED IN SHELIVING THAT IDEA INDEFINITELY. ALL FOUR OF THESE UNITS ARE COVERED BY CONTRACTS OR LETTERS OF INTENT DATING BACK TO 1974).

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R 121250Z MAY 78
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4. AMMASSARI BELIEVED ON BASIS OF CONVERSATIONS WITH OFFICIALS DURING HIS RECENT VISIT TO SICILY THAT THERE WOULD BE NO REAL DIFFICULTY ENCOUNTERED IN LOCATING AND WINNING ACCEPTANCE FOR A CANDU (CANADIAN HEAVY WATER REACTOR) SITE IN SICILY. (SICILIAN NEWSPAPERS HAVE REPORTED CONSIDERABLE RESISTANCE TO LOCATING A NUCLEAR REACTOR IN THE ISLAND). AMMASSARI SAID IT MADE SENSE TO PUT THE TWO 600 MEGAWATT CANDU REACTORS ITALY EXPECTS TO PURCHASE IN SICILY AND SARDINIA SINCE POWER CONSUMPTION IN THE ISLANDS WAS INSUFFICIENT TO JUSTIFY 1,000 MEGAWATT UNITS AND IT WAS IMPRACTICAL TO CONNECT THE ISLANDS TO THE NATIONAL GRID. NUCLEAR REACTORS WERE NEVERTHELESS NEEDED IN THE ISLANDS TO GIVE THEM A SECURE POWER BASE IN EVENT OIL OR GAS SUPPLIES WERE INTERRUPTED FOR WHATEVER REASON IN FUTURE. IN RESPONSE TO QUESTION, AMMASSARI CONFIRMED THAT SUPPLY OF NATURAL URANIUM WAS INCLUDED IN CANADIAN CANDU OFFER (REF B).

5. ECMIN NOTED THAT CIPE DECISION HAD ALSO ASSIGNED
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THE MINISTRY OF INDUSTRY, AND PARTICULARLY THE DIRECTOR
GENERAL FOR ENERGY SOURCES (I.E. AMMASSARI), MAJOR
RESPONSIBILITY FOR COORDINATING ITALIAN POLICY ON
NATIONAL ENERGY MATTERS, ESPECIALLY IN THE FIELD OF
NUCLEAR ENERGY AND ASKED WHAT CONSEQUENCES THAT WOULD
HAVE FOR THE OPERATION OF AMMASSARI'S OFFICE. AMMASSARI
REPORTED THAT HE HAD INCREASED THE SIZE OF HIS STAFF AND
THAT HE WAS REASONABLY CONFIDENT THAT THEY COULD HANDLE THE
JOB. HE AGREED WITH ECMIN'S ASSESSMENT THAT THIS PART OF
CIPE DECISION SEEMED TO SETTLE QUESTION RAISED BY INDUSTRY
MINISTER DONAT-CATTIN COUPLE YEARS AGO WHEN HE PROPOSED
APPOINTMENT OF AN ENERGY CZAR WITH AUTHORITY TO COORDINATE
AND ESTABLISH NATIONAL ENERGY POLICY (RESULT HAD BEEN BITTER
PUBLIC DEBATE BETWEEN DONAT-CATTIN AND ANGELINI, AND NO
DECISION).

6. FINALLY, ECMIN VOICED OPINION THAT PUBLIC DEBATE
OVER NUCLEAR ENERGY SEEMED TO HAVE SUBSIDED SOMEWHAT IN
RECENT MONTHS (A VIEW SHARED BY ANGELINI). AMMASSARI
DISAGREED, ASSERTING THAT THE SUBJECT REMAINED CONTROVERSIAL
AND THE OPPOSITION CONTINUED TO BE STRONG.

7. COMMENT. WHILE ENEL FINANCIAL PICTURE MAY BE
CLARIFIED SHORTLY, WE BELIEVE AMMASSARI MAY HAVE BEEN
OVERLY OPTIMISTIC ON OUTLOOK FOR SELECTING SITES,
AND GAINING ACCEPTANCE OF LOCAL POLITICAL AND CITIZEN
GROUPS AT SELECTED SITES. IT IS GENERALLY ACCEPTED
THAT ENEL'S PROGRAM (1977 EDITION) ALREADY HAS SLIPPED
BY AT LEAST 8 TO 10 MONTHS AND IS LIKELY TO SLIP
FURTHER AS EACH TOWN THUS FAR PICKED AS A POSSIBLE
SITE HAS OPPOSED LOCATION OF A NUCLEAR PLANT NEAR IT.
GARDNER

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